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C O N F I D E N T I A L SECTION 01 OF 02 KUWAIT 001631

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E.O. 12958: DECL: 04/21/2015

TAGS: [ECON](#) [EFIN](#) [PINR](#) [KU](#)

SUBJECT: NEW FINANCE MINISTER EMBRACES PORTFOLIO, PROMISES
ACTION ON TAX LAWS AND MORE

REF: A. KUWAIT 1373

[1](#)B. KUWAIT 1557

Classified By: Ambassador Richard LeBaron for reasons 1.4 (b) and (d)

[1](#)1. (U) Summary: Ambassador met with newly appointed Minister of Finance Bader Al-Humaidhi on April 20 and raised a number of issues of concern, including: cracking down on terror financing and tightening up Kuwait's money-laundering laws; IPR enforcement; Iraqi debt; and a tax case involving a U.S. company. The Minister said that Kuwait would follow international efforts to reduce Iraqi debt. Al-Humaidhi was particularly forward looking on taxation issues, promising to make reform of the tax structure a priority of his office. End Summary.

New Finance Minister Jumps in With Both Feet

[1](#)2. (C) Ambassador paid an introductory call on newly appointed Finance Minister Bader Al-Humaidhi (Ref A) on April [1](#)20. The Minister said that he is still trying to understand the Ministry and his portfolio, and that he plans to appoint a new undersecretary (from the Ministry's ranks) by the end of April. Compared to the Kuwait Fund, Al-Humaidhi said, the Ministry had a lot more "red tape" and he said he would try to bring some management and leadership principles to the ministry.

[1](#)3. (SBU) The Ambassador praised the Kuwaiti Customs Agency, (which falls under the Finance Ministry), for its leadership on IPR protection and enforcement, and informed the Minister about the consulting and advisory agreement between the U.S. and Kuwaiti Customs Agencies. Al-Humaidhi said that he expected to see more actions from the Ministry of Information on IPR now that a new Minister had been appointed. The Ambassador also asked that Kuwait transfer to the Development Fund for Iraq at the Federal Reserve Bank of New York the \$78 million in Iraqi assets seized under UNSCR 1483 (Ref B).

Terror Finance

[1](#)4. (C) The Ambassador raised the issue of currency controls and the Central Bank's Financial Intelligence Unit's inability to share information without prior, specific clearance from the office of the Public Prosecutor. The Minister said that he was not that familiar with the outbound currency controls, noting that he was not aware of any outbound currency controls when departing from the U.S. either. He noted the recent presence of the Treasury and OFAC teams in Kuwait, saying that it was his impression that they were impressed by the GOK's efforts against terror financing. He agreed with the Ambassador, however, on the need to "plug all the holes" in Kuwait's money transfer regime.

Iraq Debt

[1](#)5. (SBU) When asked about Iraqi debt reduction, Al-Humaidhi said that Kuwait "will be ready to consider what needs to be done to alleviate the situation for the Iraqis." He added that, while the GOK has committed to comparable treatment to that agreed upon by Paris Club members, the Paris Club agreements had yet to be negotiated with the Iraqis. He specifically mentioned the need to see action by the new Iraqi government on this issue.

Taxation Case

[1](#)6. (C) When asked about the Pepsico tax case, Al-Humaidhi said that he had just met the day before with the Minister of Commerce and Industry and the Kuwait Chamber of Commerce and Industry to discuss the specifics of this case and reform of the tax code overall. (Note: He did not specifically mention

a visit by Pepsico's legal team on April 19 which we were aware of.) He said that he understands the Pepsico problem and that he hopes to see resolution of that issue shortly. The bigger picture, he said, was reform of the tax code and creating a better environment to attract foreign investment. He added that the GOK is "working on this" and that he is "determined to do something about it."

Bio Note

17. (SBU) Al-Humaidhi is an early riser, getting to the office by 6:30 am each day. He has been affiliated with the Carlyle Group in the past, and knows the first President Bush and former Secretary of State Baker. He did not attend the April IMF meeting, but will attend the IMF/World Bank meeting in September.

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